



Franklin J. Vargo

Vice President

International Economic Affairs

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Juan Verde
Deputy Assistant Secretary for Europe
International Trade Administration
Room 3863
U.S. Department of Commerce
1401 Constitution Avenue, NW
Washington, DC 20230

Dear Mr. Verde:

I am pleased to share with you and, through you, the broader U.S. Government community working on Transatlantic issues, some initial thoughts regarding the new Transatlantic Innovation Dialogue (TID). From our earlier informal discussions and from the recent Federal Register Notice, I understand that the Department of Commerce will coordinate the overall U.S. Government participation in the TID. The National Association of Manufacturers (NAM) is the nation's largest industrial trade association, representing small and large manufacturers in every industrial sector and in all 50 states. The NAM and many of our member companies have long been active in the transatlantic marketplace and in transatlantic economic fora including the Transatlantic Business Dialogue. Governor John Engler, President and CEO of the NAM, is a formal observer/advisor to the TABD CEO group.

We commend the U.S. and EU leaders for creating the TID and look forward to a close and ongoing process to ensure that the views, concerns, recommendations, and feedback from the business community can be factored into the U.S. Government's participation in it. Innovation is absolutely critical to the global competitiveness and future growth of the U.S. and European economies, the success of our companies, and the well-being of our workers and citizens. We encourage the TID, and especially the Department of Commerce as it leads the U.S. side in that government-to-government dialogue, to work closely with the business community and other relevant stakeholders throughout the TID process.

The NAM has strongly and consistently supported transatlantic economic integration, elimination of trade and investment barriers in both directions, and the development of a single transatlantic marketplace. The NAM and Governor Engler personally have been strong voices in favor of negotiating an ambitious, comprehensive "Gold Standard" U.S.-EU, or even a NAFTA-EU, Free Trade Agreement (FTA). We are convinced that a strong transatlantic FTA would be one of the most powerful concrete steps the U.S. and EU Governments could undertake to promote economic growth and prosperity on both sides of the Atlantic.

Manufacturing Makes America Strong

The NAM has been aggressively advocating a strong and clear innovation and competitiveness agenda for America. Core elements of that domestic policy agenda for innovation should be the pillars of the TID – encouragement of private sector research and development through tax incentives and governmental partnership, intellectual property rights (IPR) protection, forward-looking policies on technology that foster and promote innovation, a strong commitment to science, technology, engineering and mathematics education and skills development, and appropriate regulatory policies. It is especially important that a transatlantic innovation agenda address key economic policies on taxation, government expenditures, regulation, IPR protection, and export controls – which, if done right and if coordinated effectively across the Atlantic, can incentivize innovation and its commercialization into the mainstream of American economic life.

These core principles of an innovation agenda can directly address the key challenges U.S. and European economies are confronting in today's global economy. U.S. and European companies and workers are not typically the low cost suppliers of basic industrial commodities. Our shared comparative advantage is, and must continue to be, the quality and reliability of our products, our cutting-edge technologies, our global support networks, and our well-earned reputations and established brands. Those key factors will remain achievable only if we continue to innovate.

We offer the following broad principles that should guide the TID efforts:

- Innovation should be valued, incentivized, nurtured, and protected.
- The U.S. and EU approaches and policies toward innovation should be closely coordinated and made mutually supportive.
- Removal or reduction of trade and investment barriers across the Atlantic, especially non-tariff barriers, can spur innovation in key sectors and should be priority objectives.
- Transatlantic regulatory differences which frustrate innovation should be attacked relentlessly and should be harmonized where possible.
- In key innovation-sensitive policies and sectors, regulation should be the minimum necessary to protect health, safety and public interest so as to provide the maximum scope for creative innovations.
- The Innovation Dialogue should be conducted at the highest possible political level, based on, but not limited to, expert staff level discussions.

Format for the TID: We strongly recommend that the TID be conducted at a very senior political level in order to maximize the possibilities for real progress. Too many U.S.-EU expert level fora, especially among U.S. and EU regulators, have turned into talk shops with no real progress in removing barriers or promoting real convergence. Obviously much of the important preparatory work for the TID will need to be done by technical and regulatory experts, but without appropriate political-level involvement we are worried that the TID will turn out to be just another well-meaning but ineffective talk shop. TID participants need to have the flexibility, breadth of vision, courage, and the political clout to look at key issues with fresh eyes and ask tough questions, as well as the authority to make much-needed changes.

In a critical area such as innovation, just another talk shop is not acceptable. Simply having experts and bureaucrats from the Commission and the U.S. Government talk past each other, justifying their own entrenched unilateral programs and policies, will not get the job done. We also encourage the inclusion in some appropriate form of the legislative branch (the U.S. Congress and the European Parliament) as well as the EU member state governments in the TID process, given the key roles they play in enacting and implementing changes in key areas.

Key Issue – Regulatory Differences: Differences – sometimes large and sometimes small but always frustrating – between U.S. and EU regulations (and indeed often between the fundamental approaches to regulation) can be significant impediments to transatlantic economic integration and to promoting innovation on both sides of the Atlantic. Each sector, each technology, each product, has its own regulatory story.

The NAM simply urges the adoption and implementation of three basic concepts. First, regulation should be done in the least intrusive manner possible and be undertaken only for a clear and important public interest. Second, regulations should be harmonized between the U.S. and EU to the absolute maximum extent possible. There are varieties of tools that can be employed, including mutual recognition, functional equivalence, and regulatory harmonization. Third, all regulation should be based on sound science rather than political considerations and other vague or extraneous factors.

Key Issue – Intellectual Property Rights Protection: Strong and well-coordinated IPR laws, regulations, and enforcement are absolutely critical to promoting and incentivizing innovation. Patents, trademarks, copyrights and trade secrets are the legal backbone for innovation. It is critical that U.S. and EU IPR laws, regulations, and practices be closely harmonized and that the U.S. and EU work together very closely to drive a strong IPR agenda internationally. The U.S. and EU share a common interest and should share a common global agenda on IPR. The TID should provide a forum for identifying opportunities and challenges bilaterally and globally.

Rather than squabbling over bilateral IPR differences like “geographical indications”, the United States and the EU should spend their time working to align their basic IPR systems to maximize the protections for innovators and to combat the serious and growing threats of counterfeiting and piracy from China, Russia, and elsewhere which threaten American and European innovators, economies, and workers.

Key Issue - International Standards: A strong standards system is an often under-appreciated pillar of promoting innovation in today’s global economy. Too often the U.S. and the EU approaches to product standards are inconsistent, indeed often competing, and thus fail to promote innovation and economic integration. In advancing transatlantic standards cooperation, it is essential that policymakers, researchers, and manufacturers on both sides of the Atlantic have the flexibility to utilize any international standards that meet the scientific, health, and safety needs and best promote innovation and competitiveness -- not just standards produced by a particular organization or process. Scientific factors like technical quality and relevance, rather than the origin of any standard, should dominate in deciding among competing international standards.

Key Issue – Research and Development: Research and Development (R&D) is the seed corn that, when carefully tended and nurtured, yields the harvests of innovation, new and improved products, economic growth, and jobs. On both sides of the Atlantic, governments at all levels need to reevaluate and update their R&D programs, including public/private partnerships in basic R&D and incentives for private sector R&D. Because many leading manufacturers have major R&D programs both in Europe and in the United States, we strongly encourage the TID to focus on how U.S. and EU programs to incentivize R&D could be strengthened and better coordinated to bolster the competitiveness of our companies and workers.

Key Issue – Competition Policy: Despite a lot of hard work by senior officials in the U.S. Government and the European Commission, the “Competition Policy Dialogue” has not achieved the needed results. Differences in fundamental philosophy, regulations, and procedures are causing companies, including some of our most innovative companies on both sides of the Atlantic, to fall into “double jeopardy” situations. Mergers and acquisitions as well as technological advances are being subjected to totally separate competition policy reviews in the United States and the EU -- and far too often companies end up facing very different outcomes. We strongly urge the TID to focus on the current state of U.S.-EU competition policy cooperation (or non-cooperation) and its impact on innovations, competitiveness, and jobs.

Sectoral Focus on Innovation: In addition to the cross-cutting innovation policy issues noted above, we encourage the TID to focus on the most important sectoral issues. Innovation, including U.S.-EU collaboration, is critical in key manufacturing sectors like automotive, pharmaceutical and medical devices, information and communications technology, machinery, electronics, environmental goods and services, clean and renewable energy technologies, and microchips and microprocessors which are embedded in so many manufacturing technologies. I understand that several of the NAM's leading member companies, sectoral associations and affiliated institutions are submitting more detailed sectoral input to the TID process. We certainly encourage the Department of Commerce and other U.S. Government agencies to give those submissions careful consideration.

Thank you very much for the opportunity to provide input to the Transatlantic Innovation Dialogue process at this critical early stage. The NAM and our member companies stand ready to do anything we can to assist the Department in its important role coordinating and leading the U.S. Government participation in this new initiative. We encourage the Department to reach out early and often to the private sector as the TID process moves forward. Please contact me at any time on any TID-related issues.

Sincerely,

A handwritten signature in black ink, appearing to read 'Franklin J. Vargo', with a long horizontal flourish extending to the right.

Franklin J. Vargo

cc - Mr. Michael Froman, National Security Council
Ambassador Miriam Sapiro, Deputy USTR
Assistant Secretary of State Jose Fernandez
Ambassador William Kennard, U.S. Ambassador to the EU